



## Tyonek Native Corporation

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September 1, 2006

Richard J. Peterson, President  
Alaska Natural Resources to Liquids Company  
310 K Street, Suite 200  
Anchorage, Alaska 99501

Re: Tyonek Support for a Cook Inlet Beluga Coal to Liquids Plant.

Dear Mr. Peterson;

First of all, please forgive the delay in responding to your letter of May 24<sup>th</sup>, 2006. As you are aware, I had just recently become the new Chief Executive Officer for Tyonek Native Corporation, and was in fact in the early days of transition when we received your letter.

I want to thank you for taking the time to meet with Tyonek Native Corporation's Board of Directors on June 29<sup>th</sup>, 2006. The Board found your presentation remarkable especially in light of the subsequent announcement of Chuitna Coal SEIS with plans to begin construction in 2007, and the announcement of the new road between Beluga and Point McKenzie, with construction beginning this fall.

As you may imagine, the impact of all this development being planned for a remote community of 180 people has been both exhilarating and disconcerting. Exhilarating in that Tyonek Native Corporation and the Tyonek Community at large has a long history of being pro-development since before ANCSA; disconcerting in that those who drive rapid uncontrolled development often overlook the legitimate conservation needs of the local communities and the environment.

We commend you for the courtesy and the time you took to meet with Tyonek's Board of Directors and inform them of your plans well in advance in order to provide TNC the maximum opportunity to plan for and accommodate your industry's needs, as well as the time for you to become aware of, plan for and accommodate Tyonek's community needs. You will find that the Tyonek Community embraces the White House Concepts of Cooperative Conservation that allows for the orderly development of industrial projects in a manner that promotes and enhances the environment and wildlife resources. We find that the best developers refuse to mitigate, and choose instead to restore and invigorate the wildlife habitats and environment. We hope you will also join us in that choice.

With that concept in mind we provide the following responses to your inquiries regarding Tyonek Native Corporation's desires and support for commercial development in Western Cook Inlet, especially as it relates to the Tyonek Native Corporation lands owned or impacted by the CTL project:

1. Road access from the Parks Highway:
  - a. You will find that the Tyonek Community has a strong respect for and a willingness to go to great lengths to promote the concepts of and protect private property, especially its own. In general, Tyonek Native Corporation supports road access to the Parks Highway up to, but not including the point that it encourages and promotes trespass on private property and/or destruction of habitat. Like other citizens we rely on and support properly managed rights of way to access resources we need to support and sustain our community, but not at the expense to abuse to our environment and private property rights.

2. Rail access from the existing Alaska Rail Road:
  - a. A properly designed and maintained transportation system is the life blood of any economy and Tyonek Native Corporation recognizes the need to provide for bulk commodity transport via the Alaska Rail Road system. Bulk commodities routed to the North Forelands would shorten the distance to a deep water port by more than 105 miles and avoid the expense of crossing the Chugach Mountain Range. Ultimately this route would reduce the land transport costs of bulk commodities such as Healy Coal, by more than 65%, resulting in a savings on energy and a corresponding reduction in pollution.
  - b. Tyonek Native Corporation believes it's in Alaska's best interest to utilize the most cost effective ports available to export its natural resources. We believe that the North Foreland Facility, albeit owned by Tyonek, is one of those ports. Therefore Tyonek Native Corporation supports access to the North Foreland Facility by the Alaska Railroad.
  
3. Development of new communities to provide support for the CTL project and potential new businesses required to support this new industry in Alaska:
  - a. Tyonek Native Corporation recognizes that the development of the Beluga Coal fields will create new communities. In the mid 1990's, Tyonek Native Corporation commissioned one of a number of studies that indicated that a new community of approximately 5,000 people would be created to provide support services for not only the mine, but also the dozens of support businesses that would provide goods and services to the mine.
  - b. In addition, the mine development itself would create infrastructure that would be utilized by other ventures that may or may not be directly affiliated with the mine, but nevertheless benefit from the same population base and community businesses.
  - c. It is clear that such growth would provide significant opportunity for the Tyonek Community to participate in affiliated investments, contract goods and services, and job growth.
  - d. Since before 1995, Tyonek Native Corporation has been preparing itself for such events and opportunities.
  
4. Development of the Beluga area coal mines supplying both coal to the CTL project and potentially for export.
  - a. As previously stated the Tyonek Community has been aware since the 60's that the enormous Beluga Coal field was of interest to the world market and at some point in time would be economically viable.
  - b. Tyonek Native Corporation has been in support of coal mine development that:
    - i. promotes the well being of the local wildlife habitat and environment
    - ii. respects the private property rights of Tyonek Native Corporation,
    - iii. respects the private property rights of the Native Village of Tyonek,
    - iv. respects the private property rights of Native Allottees,
    - v. adequately compensates Tyonek Native Corporation for use of its property at fair market value,
    - vi. provides fair opportunity to contract to provide goods and services,
    - vii. provides fair opportunity to mining jobs for TNC shareholders and NVT members,
    - viii. actively supports the protection of local property rights and wildlife habitat.
  
5. Development of a new power plant infrastructure to supply power to Alaskans:
  - a. Tyonek Native Corporation strongly supports the creation of new power generation capacity in the Cook Inlet area to meet present and future demand,
  - b. South Central Alaska desperately needs new power generation capacity to support current base loads of the existing users,

- c. In addition new capacity is needed to supply new users including the Chuitna Coal Company (projecting a need of 50 MW), Pebble Mine ( 120 MW), and the replacement of aging existing Chugach Electric capacity (365 MW).
  - d. The most economically available fuel source is Beluga Coal and if gasified can provide all the energy needs of South Central Alaska and the growing industry for the foreseeable future.
6. Expansion of the existing (North Foreland Facility) dock and port to support the CTL project.
- a. Tyonek Native Corporation fully supports the expansion of the North Foreland Facility dock and port to support not only the CTL project but other related and compatible projects, such as Agrium's Blue Sky Project, sand and gravel export, timber and other bulk commodity exports.
7. The role the Tyonek Native Corporation would like to play in the development of a world-scale CTL project:
- a. Tyonek Native Corporation, as the CTL project continues to develop, will examine every opportunity to participate and support its prudent development in a manner that does not mitigate, but rather restores and invigorates the environment and wildlife habitat adjacent to the CTL facilities and mine.
  - b. Tyonek Native Corporation will seriously examine every opportunity for investment directly and indirectly in the CTL project and its related support industry.
  - c. Tyonek Native Corporation Board of Directors will require as any part of any investment they may choose to make into CTL that every opportunity will be made to provide the Native Village of Tyonek and its members; Tyonek Native Corporation shareholders and affiliates; and Native Allottees with equitable access to CTL investments, contracts, and employment opportunities.

Thank you again for providing Tyonek Native Corporation's Board of Directors with the opportunity to discuss this important project with you. The Tyonek Native Corporation and the Native Village of Tyonek will be intensely interested in your progress and would like to continue to be informed as the project develops. Please plan on providing a presentation to the Council of the Native Village of Tyonek, as soon as possible. Please consider the Native Village of Tyonek as a critical stakeholder in this process. We at Tyonek Native Corporation do.

We wish you every success. We invite you to visit with us again soon and to share this letter with others who may have similar questions regarding Tyonek Native Corporation.

Sincerely,



Tom Harris  
Chief Executive Officer

cc: File